

Amendments to the Specification:

Please amend the title of the invention as follows:

Method and System for the Automated Trading of Financial Instruments

Please amend the section heading located on page 10 as follows:

BRIEF DESCRIPTION OF THE DRAWINGS

Please amend paragraphs 0020, 0022, 0024, 0026, 0031, 0035, 0037, 0039-0042, 0044-0045 in the Specification as follows:

[0020] The present invention tends to avoid or mitigate against the situation where the market maker's knowledge of a trader's stop and limit orders tends to work against the best execution price for the trader, by means of withholding all such orders until the moment that the trade trigger criteria has been met.

[0022] These, as well as other features of the present invention, will become more apparent upon reference to the drawings wherein:

[0024] Referring now to the drawings wherein the showings are for purposes of illustrating a preferred embodiment of the present invention only, and not for purposes of limiting the same, Figure 1 illustrates a preferred system for implementing the method and system 10 for automatically communicating financial instrument trade orders of the present invention.

[0026] Further, it is contemplated that such financial institution ~~18~~ 16 has a predefined relationship with the marketplace 17 for facilitation of communication or placement of trade orders therewith as symbolically depicted as symbolic relational link 19.

[0031] The market analysis software 26 is configured to receive and utilize market data 27. Preferably such market data 27 is close to real-time as possible. The utilization of price changes, trading volume and derivative algorithms thereof to make trading decisions, begins with the collection of market price, trading volume and/or other items of recorded market data 27. Those market data 27 are recorded by the various marketplaces ~~17~~ where financial instruments trades are executed. For example, marketplaces 17 as used herein can be exchanges, market makers or electronic communications networks (ECN's). Contemporary

examples of exchanges are the New York Stock Exchange, the American Stock Exchange and the Chicago Mercantile Exchange. Examples of market makers are the National Association of Securities Dealers members (licensed securities firms with the authority to make various off-exchange trades, including block trades and trades on the NASDAQ (a network of member market makers firms)) such as Knight Trading Group, Inc. (symbol: NITE) and Mayer & Schweitzer, Inc. (subsidiary of Charles Schwab & Company, Inc.). Examples of Electronic Communication Networks include Archipelago, Island, Redibook, and Attain which are SEC sanctioned networks that seek to match traders orders directly. It is contemplated that trades are recorded by the various marketplaces 17 and that market data 27 is sold or licensed to various market data wholesales (referred to as "data resellers") which then resell and electrically transit such market data 27, preferably as close to real-time as recorded, to various interested parties. A few examples of such data resellers are S & P Comstock by Standard and Poors Corporation of Harrison, New York, and eSignal by Data Broadcasting Corporations of Hayward, California. Moreover, it is contemplated that the marketplace 17 and financial institution 16 may be one in the same.

[0035] It is contemplated that the system 10 is flexible in nature. In this regard, as used herein the system 10 may vary depending upon the configuration used and the entity providing or hosting the same. For example, in one embodiment the system 10 may include the user interface 22, the market analysis software interface 28 and the trading account interface 34 all hosted at a web address. In this regard, such software may be configured to access market analysis software 26 maintained by some third party, as well as the trading account 14 maintained by the financial institution 16. It is contemplated that the system 10 may be configured to be compatible with a plurality of different trading accounts 14 maintained by a plurality of different financial institutions 16 as well as a plurality of different market analysis software 26 provided by a plurality of different providers. It is contemplated that such a configuration may be with or even without the cooperation of such financial institutions and third party providers. For example, the trading account interface 34 may take the form of software which is configured to simulate electrical signals necessary to access the user's on-line trading account 14 representative of the user 12 manually logging-on to his/her trading account 14 (e.g., key strokes and/or mouse clicks).

[0037] Alternatively, where the market analysis software 26 is hosted by the same provider as the system 10, the communications link 30 may simply take the form of an internal data flow within a software program. Thus, it is understood that the degree of complexity of the user interface 22, market analysis software interface 28, the market analysis software 26, the trading account interface 34, the trading account 14 and all of the various communications links associated therewith ~~19, 21~~, 18, 19, 20, 21, 30, 32, 36, 38, 40, depends upon the particular system configuration utilized, the construction of which is contemplated to be chosen from those methods which are well known to one of ordinary skill in the art. As such, it is contemplated that data may be electrically communicated between and through such various components and links, internally and externally, utilizing technology based upon telephony based systems, cable, Digital Subscriber Lines (DSL) and variations thereof (wire, optical, etc.), optical communications (including infrared), and wireless forms of communications, such as those based upon cellular, satellite, radio frequency (RF) and other forms of electromagnetic wave based mediums.

[0039] From the perspective of the investor, trader or user 12, the method may include the initial steps of establishing the trading account 14 with a financial institution 16, wherein the financial institution 16 agrees to facilitate the purchase and sale of financial instruments on behalf the ~~investor/trader~~/user 12. Next, it is contemplated that the user would input, through the use of a computer, the trade trigger criteria.

[0040] In order to more fully understand the advantages of the present invention, the following is an example of how a user/~~trader~~ 12 may utilize the same. The user/~~trader~~-10 12 is on vacation deep in the wilderness and the marketplace 17 of interest is open. As of yesterday, the 20 day high of a particular financial instrument, XYZ, is \$100. This morning XYZ opens at \$95 1/8, then trades higher, and now trades up to \$100 1/16 for the first time in more than 20 days. This is a buy signal according to the trader's Trading Plan. The trader's account equity is \$100,000. On hundredth of that is \$1,000 which is the amount the ~~trader~~-10 user 12 has chosen to risk on each trade. The low today is \$95 1/8. Therefore, the fail safe exit price according to the Trading Plan is \$95 1/16. The difference between the entry price of \$100 1/16, and the fail safe exit price of \$95 1/16, equals a risk of \$5 per share. The risk per trade of \$1,000 divided by the risk per share of \$5, equals 200 shares which is the correct

quantity per the Trading Plan. The market analysis software 26 may be configured to calculate all of this. Based upon inputted trade trigger criteria and market data 27 a trade decision may be generated by the market analysis software 26 indicating an immediate buy of 200 shares of XYZ at the current market price. Electrical Signals indicating such a trade decision are passed to the trading account interface 34. The trading account interface 34 automatically communicates a trade order based upon the trade decision for execution in the marketplace 17. The on-line account 14 of the ~~trader~~ user 12 maintained with the ~~trader's~~ user's broker/financial institution 16 is informed of the executed trade order. This is all accomplished without the need for the trader's attention or intervention. If a buy stop order were used instead of the system 10 or methods according to the present invention, in order to achieve a similar result, the ~~trader~~ user 12 would still have to monitor and/or manually replace the buy stop order every day, because the criteria, "the highest high of the most recent twenty days" will indicate a new and different price as often as every day.

[0041] After the trade order has been executed in the marketplace 17, a report that the ~~trader~~ user 12 has bought 200 shares of XYZ at \$100 1/16 is transmitted through the on-line account 14 to the market analysis software 26. With this new input, the market analysis software 26 may now calculate an exit trigger. The initial fail-safe exit trigger is a trade below the entry day low of \$95 1/8, which would be \$95 1/16. (This price is higher than the lowest of both the most recent ten and twenty day periods, and therefore is the correct price according to the Trading Plan.) The partial profit target for 50% of the shares is two times the initial risk per share, in this case it is two times the \$5 risked per share (as calculated above) which equals a \$10 per share profit target. That \$10 is added to the entry price for a profit target price of 110 1/16 on 50% of the position, which is 100 of the 200 shares. XYZ closes on its high of the entry date at \$105.

[0042] The next day XYZ opens at \$105 and trades higher to the partial profit price of \$100 1/16. The market analysis software 26 now indicates a trade decision of an immediate sale of 100 shares of XYZ at the current market price. The trading account interface 34 automatically communicates an electrical signal representing a trade order based upon the trade decision for execution in the marketplace 17. The on-line account 14 of the ~~trader~~ user 12 maintained with the ~~trader's~~ user's broker/financial institution 16 is informed of the

executed trade order. This is all accomplished without the need for the trader's attention or intervention.

[0044] The report that the ~~trader~~ user 12 has sold 100 shares of XYZ at \$110 1/16 in the marketplace 17 is then electrically transmitted through the financial institution 16 via the on-line account 14 back through the trading account interface 34, and to the market analysis software 26. With this new input, the market analysis software 26 now indicates the immediate cancellation of the failsafe trigger at 95 1/16 for the 100 shares that have just been sold. Under the prior art where human intervention was required, the fail-safe sell would have been placed as a "stop" order at \$95 1/16 and would have needed to be canceled with the broker by the trader. In the event that XYZ quickly declined to the \$95 1/16 trigger price before the trader was available to cancel the now duplicative 100 share portion of the original 200 share fail-safe order, then the trader's position would have inadvertently become "short" 100 shares of XYZ, as only 100 shares remained from the original purchase, yet 200 shares, not 100 as intended, were sold, contrary to the zero share position contemplated and intended by the Trading Plan.

[0045] Now the Trading Plan calls for the remaining 100 shares of XYZ to be liquidated when its ask price declines below the higher of the entry day low or the lowest low in the most recent twenty days. The lowest low in the most recent twenty days can change as often as every day if XYZ is in a steady up-trend. In that situation, the prior art would require that the trader enter the appropriate sell stop exit order and cancel the prior days sell stop order each day before the marketplace 17 opens. Lapses in this level of attentiveness would violate the trader's Trading Plan and likely upset the fine balance between profit seeking and risk control that the trader needs to create the risk-adjusted profits in excess of the returns on market indexes, which are usually the general object of active trading. Using the invention, as the price data feed is processed by the market analysis software 26, the exit price triggers are automatically updated and exit orders consistent with the Trading Plan are transmitted from the market analysis software 26 through the on-line account 14 for execution at the desired time and price, automatically without any intervention on the part of the ~~trader 10~~ user 12.